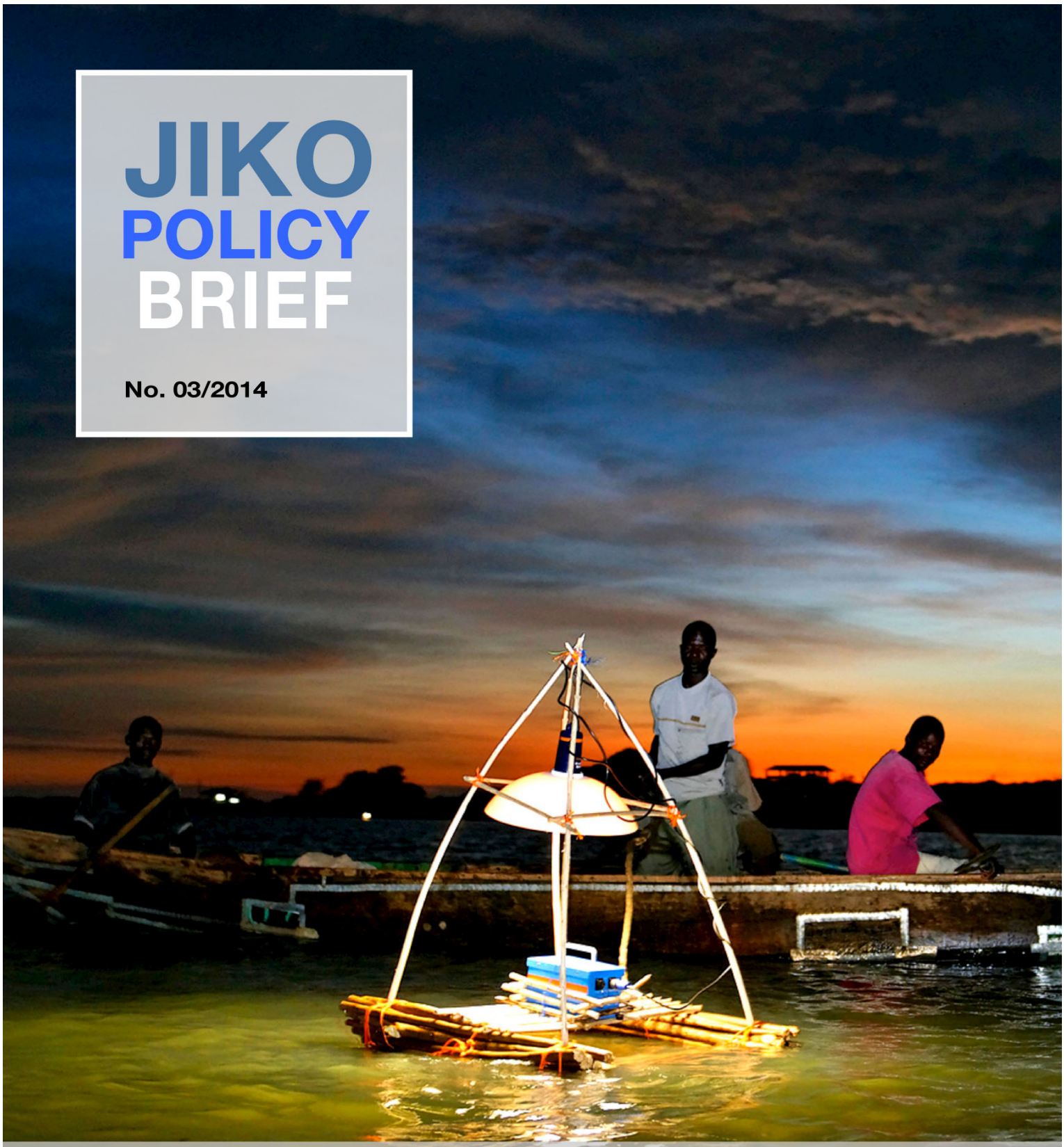
JIKO POLICY BRIEF

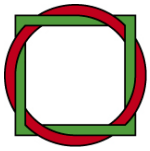
No. 03/2014



How to Define a Good Offset Project?

Buyers' Definitions of High-Quality Projects

Nicolas Kreibich, Wolfgang Sterk and Christof Arens



Wuppertal Institute
for Climate, Environment
and Energy

Disclaimer

The positions expressed in this paper are strictly those of the authors and represent neither the opinion of the Wuppertal Institute nor of the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety.

The Wuppertal Institute is carrying out the "JIKO"-project on behalf of the German Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety.

Internet
www.jiko-bmub.de
http://wupperinst.org/en/projects/details/wi/p/s/pd/429/

Contact
Nicolas Kreibich

Email: Nicolas.kreibich@wupperinst.org

Wuppertal Institute for Climate, Environment and Energy
Döppersberg 19 • 42103 Wuppertal • Germany

www.wupperinst.org

August 2014

Cover Photo: Siemens Press Image

How to Define a Good Offset Project?

Buyers' Definitions of High-Quality Projects

Nicolas Kreibich, Wolfgang Sterk, Christof Arens

Contents

Summary

The Clean Development Mechanism (CDM) is in crisis: The strong supply of Certified Emission Reductions (CERs) coupled with weak demand by compliance buyers has caused CER prices to fall to near zero. This situation is already having immediate repercussions on the activities on the ground. The number of projects requesting registration has fallen strongly while some of the registered projects are running the risk of being stopped. Ever more market participants – project developers as well as auditors (Designate Operational Entities – DOEs) and CDM consultants – are leaving the market and reorienting their businesses towards new fields.

Against this background, experts and market participants have called for governments to step in as buyers of CERs. Given the limited volumes of public funding, however, governments will have to prioritise some projects over others. With the aim of contributing to this debate, this policy brief analyses national purchase programmes and multilateral carbon funds in order to identify the criteria public investors are applying in the selection of the projects they finance.

The analysis revealed a large diversity among the instruments assessed. While for a large number of purchase programmes no or only very general project selection criteria were found, others have established clear requirements and detailed procedures for the identification of high quality projects. Differences were particularly large in terms of **sustainable development (SD) benefits** allowing for the identification of three groups of instruments.

A comparatively small group of programmes and funds applies a **carbon-centred** approach, in that non-carbon benefits are not explicitly mentioned as a key outcome of the purchase activities, while the largest group of funds and programmes can be considered to be **sustainable development conscious**. These instruments mention sustainable development benefits as a key outcome of their CDM projects but have not established a genuine process to ensure positive contributions are actually achieved. A third group of programmes and funds can be labelled **sustainable development mainstreamers**. They use social and environmental impacts of projects as a basis for deciding on the purchase of CERs and require projects to identify and continuously monitor their social and environmental impacts.

Instruments of all three groups are using **eligibility criteria** to steer the access of project types to funding. Most commonly, a negative list is used to exclude specific project activities with particularly high social and environmental risks. In addition, several carbon funds are making use of existing **safeguard systems** to avoid adverse social and environmental impacts.

The experiences made by existing purchase programmes and carbon funds should be taken into consideration when designing future public purchase or support activities. The authors identified three approaches with different levels of ambition:

The **do-no harm fund** requires projects to indicate and avoid potential social and environmental risks and to highlight and remedy negative developments during project implementtation.

The **SD conscious fund** goes beyond doing no harm by expecting the project to deliver on sustainable development benefits. However, no system for measurement, reporting and verification (MRV) is established but projects are only expected to inform about the SD benefits. For

this purpose, the application of the voluntary SD Tool developed by the CDM Executive Board might also be considered.

A **multi-benefit approach** would combine the goals of the do-no harm approach with the objective of achieving sustainable development benefits and transformational effects. Such a system could build on existing elements. For instance, the requirements for monitoring sustainable development benefits could be adopted from approaches developed by the Belgian government or voluntary standards.

1 Introduction

The Clean Development Mechanism (CDM) is in crisis: The strong supply of Certified Emission Reductions (CERs) coupled with weak demand by compliance buyers has resulted in prices plunging from around 20€ in 2008 to well below 1€ in 2013 (cdc climat 2009, 2014).

The CER price drop is already having immediate repercussions on the activities on the ground. The number of projects requesting registration is continuously falling and many of the projects that have already been registered remain hesitant in requesting the issuance of CERs since current market prices do not even cover the costs for the verification of the emission reductions. In the current market situation, some project activities are even facing the risk of being stopped. Repercussions are also felt by other actors involved in the CDM market, such as auditors (Designated Operational Entities – DOEs) and CDM consultants: ever more participants are leaving the market and reorient their businesses towards new fields.

This comes at a time were considerable capacities have been developed, particularly in developing countries. Donors and international organisations have been implementing a multitude of initiatives to support national authorities as well as to foster the participation of the local businesses and the finance sector in developing countries.

Against this background, market participants and experts alike are calling for governments to step in.[1] Immediate action is needed to avoid ongoing CDM projects to be stopped and to ensure that the capacities established over the years do not get lost.

However, the call for governments to step in as CER buyers raises the question of how to design these purchase activities. The limited volumes of public funding will not make up for the collapsed multi-billion dollar market and public investors will be unable to support the entire CDM pipeline. Instead, governments will have to prioritise some projects over others by identifying "high quality projects" that merit to be supported.

With the goal of contributing to this goal, this policy brief analyses national purchase programmes and multilateral carbon funds in order to identify the criteria public investors are applying in the selection of the projects they finance.

[1] This was one of the key results of an expert workshop held in Berlin in mid 2013. The workshop report (in German only) can be downloaded using the following link: www.jiko-bmub.de/1305.php.

2 Analysis of public buyers

In the following, the different approaches pursued by public institutions in acquiring CERs from high qualitative CDM projects will be looked at. The analysis initially focuses on the public purchase programmes that different Annex B Parties to the Kyoto Protocol have established. However, not all countries willing to buy CERs have installed dedicated national purchase programmes. What is more, many countries – after having gained some experiences with the direct purchase of CERs from CDM projects – discontinued their national programmes and decided instead to collaborate with other countries and/or international institutions through the participation in multilateral carbon funds. Therefore, the analysis of national purchase programmes will be complemented by an assessment of multilateral carbon funds, most of which have been established by the World Bank.

2.1 National CER purchase programmes

In the analysis of national purchase programmes, a two-step approach is applied:

First, an initial screening of public purchase programmes is undertaken to allow for the identification of those purchase programmes that apply additional quality criteria in the selection of CDM projects. The screening focuses on those countries that have expressed the intention to buy CERs for meeting part of their national commitment target under the KP. This relates to the first as well as to the second (current) commitment period. A technical report by the European Environment Agency (EEA) is used to identify those EEA member countries willing to buy CERs, while those buyer countries who are not members to EEA are identified on an individual basis. By "additional quality criteria" we are referring to project eligibility and selection criteria which do have a certain level of detail and go beyond the general requirements for CDM projects established by the UNFCCC (these are inter alia: host country is Party to the Kyoto protocol, project is approved by the host country, project is additional). Building on the results of this initial screening, those purchase programmes applying additional quality criteria are analysed in more detail in a second step.

A total of 16 countries have been found to be purchasing CERs. These are: Austria, Belgium, Denmark, the Netherlands, Norway, Sweden, Japan, Finland, Spain, Ireland, Italy, Luxembourg, Portugal, Slovenia, Switzerland, and Liechtenstein.

While for several countries (Italy, Luxembourg, Portugal, Slovenia, Switzerland, and Liechtenstein) no information on criteria and a process for the selection of projects could be gathered, the criteria used by some countries (Finland, Japan, Spain, Ireland) were considered not to meet the characteristics of "additional quality criteria". While in some cases, the criteria only cover the requirements established by the UNFCCC (additionality, contribution to sustainable development in host countries, inter alia), in other cases the selection criteria remain too general. For instance, Ireland's National Policy for State Purchase of Kyoto Units states that all purchase activities shall be made with the objective of contributing to the ultimate goal of the Convention, to minimise risk – in particular with regard to the timely delivery of credits – and to achieve good value for money (DEHLG 2007). Spain's Fondo de Carbono para una Economía Sostenible (FES-CO2) also requires projects to be designed to incentivise the par-

ticipation of Spanish companies in these projects and as to have a high technology transfer component (MAGRAMA Website 2014).

Hence, these criteria are mainly to advance the benefits for the buyer country and are not intended to identify high quality projects. It should however be noted that the mere fact that explicit additional quality criteria were not found does not mean that the purchase programme cannot comprise high-quality projects, since the characteristics, prices and project types of the individual purchase programmes might be decided on a case-by-case basis, as in the case of Spain's FES-CO2 (MAGRAMA Website 2014). If conducted thoroughly, such a process can also lead to a project portfolio of high quality projects.

In contrast to these cases, six countries (Austria, Belgium, Denmark, the Netherlands, Norway, Sweden) have set up purchase programmes with additional quality criteria and procedures to guide the selection of CDM projects. In the following, we will present these programmes and analyse the application of the criteria in the selection process of CDM projects.

Austria

In order to close the gap between Austria's 2008 to 2012 emissions and its Kyoto target, the Austrian Government intends to buy Kyoto units equivalent to 20% of its base year emissions per year (EEA 2013).

The Austrian JI/CDM Programme is the official purchasing programme on behalf of the Austrian Minister of Agriculture and Forestry, Environment and Water Management, which is managed by the Kommunalkredit Public Consulting GmbH. The project portfolio consists of a large variety of projects comprising renewable energy projects, energy efficiency, landfill gas and N_2O emission reduction projects. However, the programme has not considered the purchase of CERs from HFC-projects (BMLFUW 2014).

For approval, projects must meet the requirements laid down in Art. 6 of the Guidelines for the Austrian JI/CDM Programme (*Richtlinien für das österreichische JI/CDM-Programm*).

Regarding SD benefits the project must carefully address the sustainable development in the host country by taking account of the economic, ecologic and social impacts in a balanced manner. However, the guidelines contain no further information on how this is to be achieved or how the contributions to sustainable development will be taken account of. In terms of safeguards, the guidelines however require hydropower projects plants with a capacity of more than 20MW to undergo an additional validation consistent with the criteria of the World Commission on Dams (WCD) (BMLFUW 2007).

Belgium

Belgium intends to acquire Kyoto units equivalent to 4% of the base-year emissions per year to close the gap between its target and the emissions between 2008 and 2012 (EEA 2013).

For this purpose, Belgium set up the Belgian Federal JI/CDM Programme in 2005. The purchase programme is managed by the Climate Change Service of the Federal Public Service Health, Food Chain Safety and Environment (The Federal Public Service of Health, Food Chain Safety & Environment - DG Environment 2014).

The purchase programme consisted of two tenders, which were launched in 2005 and 2007 respectively. Both tenders aimed at supporting projects with high probability of being additional and with particularly large impacts on sustainability. Another objective was to improve the regional distribution of CDM projects. In order to better achieve these multiple goals,

specific eligibility criteria were established and projects had to meet specific requirements.

Hence, land use and forestry, industrial gas, nuclear energy and large hydro projects were excluded. Besides the official UNFCCC project documentation, project developers were required to submit additional documents including a sustainability analysis as well as an assessment of that analysis by a DOE. The sustainability analysis, which largely built on the Gold Standard methodology of that time, required projects to first assess the contributions of their project to the three dimensions of sustainable development by using a set of predefined criteria. Positive as well as negative changes compared to the baseline situation had to be indicated. Projects were then required to identify indicators to monitor each criterion considered relevant. In a third step, project developers had to fill in a monitoring plan for relevant indicators by indicating the source of information that would be used, the frequency of measuring, inter alia. Both documents, the sustainability analysis and the monitoring plan, were reviewed by a DOE, who had to confirm the soundness of the information provided. The documents were then submitted to the contractor who assessed the information and scored the proposals with regard to their sustainable development contributions as well as to their certainty of delivery of CERs. Projects that met a certain minimum score were then invited to negotiate an ERPA. In the discussions on the price, the scorings obtained for the criteria certainty of delivery and sustainability were taken into account. In addition, highly sustainable projects were given the possibility to obtain up to 50% of the contract value as a prepayment. All other projects, in contrast, were only given a maximum of 30% of the contract value as a prepayment (The Federal Public Service of Health, Food Chain Safety & Environment - DG Environment 2007).

In 2008, a decision was taken to focus on the purchase of CERs from the secondary market and via a carbon fund. For this purpose, a bilateral carbon fund was negotiated and a contract was signed with the German development bank Kreditanstalt für Wiederaufbau (KfW). While it was not possible to request projects to monitor sustainability impacts according to the requirements applied in the second call for proposals, projects were selected on the basis of the same sustainable development criteria.

Denmark

The Danish government intends to close the gap between its 2008 to 2012 emissions and its target by acquiring a number of Kyoto units equivalent to 3 % of base-year emissions per year (EEA 2013).

Denmark initiated its JI and CDM programme in 2004. It has been administered by the Danish Energy Agency (DEA) under the authority of the Ministry of Climate and Energy. The programme's focus lay on capacity building of DNAs as well as support for project development. However, a specific budget was also allocated for purchasing CERs (and ERUs). Preference is given to renewable energy and energy efficiency projects while HFC and large hydro projects are excluded. In regional terms, the programme focuses on South-East Asia (DEA 2010).

The overall goal of the programme is to make cost-efficient contributions to meet Denmark's Kyoto obligations by acquiring CERs (and ERUs) while at the same time pursuing four strategic goals:

1. To contribute to global climate protection
2. To promote sustainable development in developing countries (and Eastern Europe) via transfer of technology and capital, social development and capacity building.

3. To compensate for CO_2 emissions related to COP15 and government flights
4. To support Danish industry by facilitating CER/ERU purchases by companies covered by the EU-ETS and to promote the export of Danish technology and know-how to CDM (and JI) projects.

The programme's purchase activities exclusively focus on the primary market. According to the DEA, this focus was chosen to ensures compliance with sustainability criteria for carbon credits and the inclusion of Corporate Social Responsibility criteria in the carbon contract. However, sourcing of new projects has changed significantly over the programme's years of operation. While in the beginning the DEA developed its own projects, it then moved on to buy CERs from projects that had already been developed to a more advanced stage (DEA 2010).

Throughout its entire operations, the programme applied several portfolio criteria some of which can be considered high quality criteria:

- Projects must be consistent with national criteria and laws of the host country.
- Projects must be eligible under the EU ETS (exclusion of forestry projects)
- Projects should meet standard viability criteria and adhere to the 10 principles of the UN Global Compact.

The UN Global Compact is a voluntary corporate responsibility initiative working towards a sustainable and inclusive global economy. It has established ten business principles its participants committed to adhere to. These principles are derived from documents such as the Universal Declaration of Human Rights and the Rio Declaration on Environment and Development and address several issues in the fields of human rights, labour, environment and anti-corruption.

The three principles on environment are relevant to climate change as they ask businesses to support a precautionary approach (principle 7), to promote greater environmental responsibility (principle 8) and to encourage diffusion of environmentally friendly technologies (principle 9) (UN Global Compact Website 2014).

Project's compliance with these principles and the other portfolio criteria is checked by the DEA in a due diligence process before a contract with the project is signed.

The Netherlands

To close the gap between its actual emissions in the first commitment period and its emission target under the Kyoto Protocol, the Netherlands is willing to buy emission credits equivalent to about 4% of the base-year emissions per year (EEA 2013).

For this purpose, the Dutch government established a fund titled "Certified Emission Reduction Procurement Tender" (CERUPT), which was administered by the Ministry of Housing, Spatial Planning, and the Environment (VROM) (now merged with other ministries to the Ministry of Infrastructure and Environment). Senter Internationaal, a government agency, was tasked with the implementation of the procedure. CERUPT offered companies the possibility to offer CERs generated in their project to the Dutch government (IEA 2012).

There is little information available on the current status of CERUPT and the current CDM pipeline does not contain any projects where CERUPT is listed as a buyer organisation. Respectively, little is known about the requirements the fund applied to identify those projects that received funding. However, according to Kieskamp (2005) the following eligibility criteria were applied. Projects had to:

- apply a particular technology (renewables, biomass to energy, energy effi-

ciency, fuel switch, methane recovery from landfills and coal mines, reduction of N_20 and F-gases),

- be of a size above 500,000 tCO2e,
- be economical sound and financially feasible
- be social and environmentally sound
- deliver CERs before 2012

In addition to the direct purchase of emission reductions credits from projects, the Dutch government also invested in the WB's PCF and CDCF and cooperated with multilateral and regional development banks to purchase CERs (Kieskamp 2005). Moreover, in 2002 the Netherlands Clean Development Mechanism Facility (NCDMF) was established together with the World Bank to purchase CERs (see the section on the NCDMF below).

Norway

The government of Norway intends to close the gap between its 2008 to 2012 emissions and its target by purchasing CERs and ERUs equivalent to 9% of base-year emissions per year (EEA 2013).

The Nordic Environment Finance Corporation (NEFCO) is an international finance institution established in 1990 by Denmark, Finland, Iceland, Norway and Sweden. In 2008, the NEFCO Carbon Fund (NeCF) was launched. The carbon fund administered by NEFCO is directed towards private investors as well as public entities, including Denmark, Finland, Germany, Iceland, Norway and Sweden. The NeCF invests in a wide range of project types, including renewable energy, energy efficiency and fuel switch (NEFCO Website 2014a). However, no information on premium requirements were found for NeCF.

In October 2013, the Nordic Environment Finance Cooperation (NEFCO) and the Norwegian government established a new carbon purchase fund, the NEFCO Norwegian Carbon Procurement Facility (NorCaP). The main purpose of NorCaP is to support the development and legitimacy of the international carbon markets by purchasing CERs from stranded registered CDM projects that face the risk of discontinuation or have already been stopped due to huge oversupply of credits and low prices. NorCaP will purchase CERs to be used by Norway to cover part of its emission reductions commitments under the Kyoto Protocol. The facility, fully funded by the Norwegian Ministry of Finance, will be operational during the second commitment period of the Kyoto Protocol (2013-2020), purchasing up to 30 million CERs (NEFCO Website 2014a).

In terms of eligibility of project types, NorCaP has developed a negative list, which excludes industrial gas projects and coal based energy projects that do not use CCS. In addition, hydro power and wind power projects will only be eligible if they are implemented in LDCs. Further, projects will inter alia have to demonstrate that they are at an advanced stage of implementation, that they face the risk of being discontinued or already have been stopped due to low prices for carbon credits, and that they are environmentally and socially sound and compatible with the environmental and sector specific priorities of the host country (NEFCO Website 2014b).

The project selection process comprises two phases. In phase one, a completeness check and a check against the eligibility criteria is made. In phase two, the remaining projects are assessed on the basis of the CER prices proposed by the project proponents. Before the possible signing of an ERPA, NEFCO further conducts a due diligence which includes social and environmental as well as technical, financial, institutional and legal aspects. According to the guidelines for the submission of projects,

a site visit will normally also be performed (NEFCO Website 2014b).

Sweden

In 2013, the Swedish Energy Agency initiated a call for proposals to contract up to 10 million CERs generated by CDM projects and programmes during the second commitment period of the Kyoto Protocol. Priority project types are renewable energy, energy efficiency and waste management. In geographical terms, the focus is on countries in sub-Saharan Africa and South East Asia with Least Developed Countries and countries currently underrepresented in the CDM being prioritised (Swedish Energy Agency Website 2014).

Project developers willing to submit a proposal for a CDM project or PoA are required to specify how the activity will contribute to sustainable development, and in the case of PoAs, to highlight the innovative or transformative aspects of the programme. However, no information on how this information will be used in the selection process could be gathered (Swedish Energy Agency Website 2014).

2.2 Multilateral purchase funds

In the following, selected multilateral purchase funds will be analysed with regards to their approach in identifying CDM projects and programmes for funding. Most of these funds are administered by the World Bank, who started its carbon market activities well before the Kyoto Protocol came into force in 2005. In addition two funds of the Asian Development Bank (ADB) and one fund launched by the European Bank for Reconstruction and Development (EBRD) and the European Investment Bank (EIB) will be analysed.

WB's Prototype Carbon Fund

The World Bank's Prototype Carbon Fund (PCF) became operational in 2000, in the early days of the CDM, as a partnership between seventeen companies and the governments of Canada, Finland, Norway, Sweden, the Netherlands and the Japanese development bank. The fund was operational until the end of the first commitment period of the Kyoto Protocol.

The PCF was intended to pilot emission reduction activities under CDM and JI and pursued three strategic objectives:

1. To achieve high quality emission reductions,
2. to disseminate knowledge related to achieving emission reductions under CDM and JI and
3. to showcase how the public and the private sectors can cooperate in addressing environmental problems.

To achieve these goals the PCF established project selection criteria and project portfolio criteria which guide the identification of projects.

There is a total of eight project selection criteria:

1. Consistency with UNFCCC and/or the Kyoto Protocol (consistency with current guidelines and modalities and procedures)
2. Consistency with relevant national criteria (consistent with national CDM/JI rules and supportive of national environment and development priorities)
3. Consistency with the IBRD's Country Assistance Strategy (project must be supportive IBRD's Strategy and the host countries development objectives)
4. Complementarity with the GEF (projects shall not compete with GEF activities)

5. Achievement of national and local environmental benefits (projects shall at least provide the same level of benefits as other activities financed by IBRD, the International Finance Corporation (IFC) or a third party)
6. Consistency with the PCF's strategic objectives and operating principles
7. Consistency with the general guidance provided by participants
8. Additional characteristics of projects (projects should entail manageable technological risks. Emission reductions should be predictable and involve acceptable level of uncertainty)

As can be seen from this list, some criteria (1 and 2) are related to the general requirements for CDM projects established by the UNFCCC or the host country. Others (3, 4, 5) are to ensure that the CDM project is in line with the general strategy and activities of the World Bank and other international institutions. Some principles 6,7) relate to the project's consistency with the fund's principles and the participant's guidance. Only criterion 8 is directly related to the project's characteristics in terms of technological risks and certainty of delivery of certificates (IBRD 2008).

The seven project portfolio criteria are intended to ensure a good regional balance and require the focus of the activities supported to be put on renewable energy projects, such as geothermal, wind, solar and small hydro. At the same time, the criteria exclude investments in CDM projects in the land-use sector (IBRD 2008).

In addition, PCF projects must adhere to the World Bank Safeguard Policies. These Environmental and Social Safeguard Policies have been developed to protect people and the environment from adverse effects of activities financed by the bank. The safeguard system comprises a total of eight so called Operational Policies (OPs), six of which address environmental issues while two cover social issues:

OP4.01 Environmental Assessment

OP 4.04 Natural Habitats

OP 4.09 Pest Management

OP 4.36 Forestry

OP 4.37 Safety of Dams

OP 4.11 Physical Cultural Resources

OP 4.12 Involuntary Resettlement

OP 4.10 Indigenous Peoples

Each Operational Policy defines theme-specific objectives and requirements. Hence, OP 4.04 on natural habitat, for instance, inter alia states that the conservation of natural habitats is essential for long-term sustainable development and requires projects to integrate the conservation of natural habitats into national and regional development. In contrast, projects involving significant conversion of critical natural habitats will not be financed. The Word Bank Safeguard Policies are also applied in the other carbon funds administered by the bank (see below).

WB's BioCarbon Fund

The BioCarbon Fund was created in 2004 as a public-private initiative to allocate resources to carbon projects in the agricultural and forestry sectors that benefit poor farmers and improve the local environment. Projects of the BioCarbon Fund are expected to "do no harm" and must comply with the WB's Environmental and Social Safeguard Policies (see above). Beyond doing no harm, BioCarbon Fund Projects are further required to result in social and environmental benefits. Technical Note No. 3 briefly outlines how projects are expected to proceed in order to achieve these benefits:

With regard to social benefits, projects must consult (and preferably involve) local communities, provide them with access to information and the possibility to file grievances. The baseline study of each BioCarbon Fund project must include a social and an environmental dimension, with social and environmental benefits being quantified, verified and certified, if feasible (WB 2004).

The first tranche of the BioCarbon Fund started in May 2004; the second tranche was launched in March 2007. Building on the experiences made, the BioCarbon Fund launched the Initiative for Sustainable Forest Landscapes (ISFL) in 2013. This initiative, however, will operate exclusively at the jurisdictional level (WB Website 2014).

WB's Community Development Carbon Fund

The Community Development Carbon Fund (CDCF) was set up as a public-private initiative designed by the International Emissions Trading Association (IETA) and the UNFCCC and became operational in 2003. It was established to inter alia provide resources to small-scale emission reduction projects that reduce poverty and provide livelihood benefits to communities in poorer countries, with a particular focus on LDCs.

Projects financed by the CDCF must comply with the World Bank Safeguard Policies (see above). In addition, the CDCF has established some overarching selection criteria each tranche of projects must apply in the identification of projects. These are similar to the provisions of the PCF in that they inter alia also require projects to be consistent with national environment and development priorities. In addition, projects must provide measurable and certifiable benefits on local livelihoods to demonstrate that the activity has improved the quality of life of the poor (IBRD 2010).

The overarching project portfolio criteria require projects to be located in LDCs or poor areas of developing countries, with the exception of projects that provide direct independently certifiable local community benefits. In terms of project size, preference is given to small-scale projects (IBRD 2010).

These overarching criteria must be applied by every separate tranche and may be complemented by other criteria. With the first tranche these overarching criteria have been slightly complemented by inter alia making funding to afforestation and reforestation contingent on the specific approval by the funds participants (IBRD 2010).

WB's Carbon Partnership Facility Carbon Fund

In 2011, the World Bank established the Carbon Partnership Facility (CPF) with the goal to support strategic greenhouse gas emissions reduction activities after the end of the first commitment period of the Kyoto protocol (post-2012) that entail transformational interventions. It therefore focuses on providing support to Programmes of Activities. With this support developing countries are to be assisted in the transition towards low-carbon economies (IBRD 2014).

The CPF consists of two funds: the Carbon Asset Development Fund, which is to provide technical assistance, and the Carbon Fund, which is to purchase emission reductions from PoAs. The carbon fund consists of a series of tranches, with each tranche establishing its own portfolio and programme selection criteria. However, there are also overarching program eligibility criteria relevant to all tranches. They require programs to be consistent with the sustainable development objectives, relevant sector policies and the climate change strategy, if any, of the host country. They are further required to have a scaling-up impact and contribute to

lowering of emissions in the region or sector (IBRD 2014).

The portfolio criteria of the first tranche launched in 2011 are to inter alia ensure a technologically and geographically diverse portfolio of programmes. Programme selection criteria require programmes to address one or more of the key sectors, such as energy generation, energy efficiency, waste, transport and cross-cutting programs. Programmes must further apply technologies with manageable technological risks, meaning that these are at an advanced stage of development. For hydro power programmes, the criteria require that consultations with buyer participants have taken place before proposals for such activities can be reviewed (IBRD 2014).

WB's Carbon Initiative for Development

The Carbon Initiative for Development (Ci-Dev) is a new initiative managed by the World Bank that was launched in December 2011. Building on the CDM, the initiative aims at influencing the design of future carbon market mechanisms so that the participation of low income countries is increased and high development benefits as well as emission reductions are achieved. In order to meet these goals, Ci-Dev provides technical assistance through its Readiness Fund and purchases CERs from CDM projects that are transformational, replicable, innovative and sustainable.

To meet these goals, Ci-Dev has established several criteria to guide the eligibility and the selection of projects. In order to be eligible for Ci-Dev funding projects must be located in Africa or in Asian LDCs and deliver development benefits, involve local communities and adhere to the World Bank Safeguards. In terms of project categories, Ci-Dev focuses on renewable energy projects that address supressed demand or create new energy connections as well as on other underrepresented project types.

In the selection of projects priority is given to small to medium scale projects that demonstrate how carbon finance can benefit the poor, to projects that do not require additional donor finance and which are using new CDM methodologies that are particularly well suited for low-income countries and have not been successfully implemented under similar circumstances, inter alia (Ci-Dev 2013).

Other World Bank funds and facilities

The World Bank operates a number of other funds and facilities to assist Annex I countries in purchasing CERs for compliance with their emission target. These are the Italian Carbon Fund, the Danish Carbon Fund, the Spanish Carbon Fund and the Netherlands Clean Development Mechanism Facility (NCDMF). Most of these initiatives focus on specific project types, with renewable energy and energy efficiency being the predominant project types. The Spanish Carbon Fund, for instance, focuses on projects from the fields of energy efficiency, and renewable energy and waste treatment in Latin America, North Africa and Europe. However, no further information was found on the selection process of projects and the use of specific criteria (World Bank Website 2014).

ADB's Asia Pacific Carbon Fund and Future Carbon Fund

The Asia Pacific Carbon Fund (APCF) became operational in 2007. Its seven participants are Belgium, Finland, Luxembourg, Portugal, Spain, Sweden and Switzerland. Together with the Future Carbon Fund (see below), the APCF is one of the two carbon funds established under the Carbon Market Programme and is managed by the Asian Development Bank (ADB). The APCF provides upfront payments to CDM projects located in ADB's developing member countries for the future delivery of CERs (APFC Website 2014).

Projects must be located in a developing member country of the ADB and generate permanent CERs (no temporary CERs or long term CERs), which excludes projects from the forestry sector. Projects in the field of energy efficiency, renewable energy and methane capture and utilization are treated with priority (APFC Website 2014).

The Future Carbon Fund (FCF) was operationalized in 2009 to purchase post-2012 CERs. It is managed by the ADB and is supported by Sweden, Finland, Belgium, the Netherlands and the Republic of Korea. Participation is open to private sector participants. The FCF uses the project selection criteria applied by the APCF and focuses on the same priority project types. No further information on additional quality criteria were found (APFC Website 2014).

Both funds build on the operational policies and procedures established by the ADB. The operational policies, which are included in the ADB's operations manual, address a large number of issues, such as poverty reduction, gender and anti-corruption and environmental and social impacts. Each operational policy is accompanied by operational procedures which outline the procedures that must be followed in order to meet the policy's requirements and objectives. ADB's Safeguard Policies contain the general objectives to inter alia avoid, minimise, mitigate and/or compensate for adverse impacts of projects on the environment and affected people. The Operational Procedures include a screening and categorization of projects according to risks, the preparation and review of an Environmental and Social Assessment and Plan as well as procedures for the monitoring of the project during its implementation (ADB 2013).

3 Comparison of requirements established by public CER buyers

As the analysis has shown, national purchase programmes and multilateral carbon funds apply different approaches when purchasing CERs. In general, three different approaches to select high quality projects can be identified:

- eligibility of project activities,
- contributions to sustainable development, and
- avoidance of adverse effects.

3.1 Eligibility

Establishing eligibility criteria can be considered a useful approach to focus on projects with specific characteristics, allowing the purchase programme or carbon fund to develop its own profile.

Eligibility of project types

Eligibility criteria can be used to restrict the access to projects that apply a specific technology or focus on a certain sector. The national purchase programmes analysed make ample use of this possibility. Three approaches can be identified:

1. Exclusion of certain project types (negative list)
2. Limitation of funding to specific project types (positive list)
3. Prioritisation of specific project types.

While the use of negative list (approach 1) and the establishment of a positive list (approach 2) are mutually exclusive, both approaches can be combined with the prioritisation of specific project types (approach 3).

The most common approach is the exclusion of specific project types (approach 1). It is applied in the purchase programmes of Austria, Belgium, Denmark and Norway as well as by the Prototype Carbon Fund. Project types most commonly excluded are industrial gas projects (HFC and N_2O), large hydro and nuclear energy projects.

Several national purchase programmes (Sweden and Denmark) and funds (Carbon Partnership Facility, Italian Carbon Fund, Spanish Carbon Fund) are using the possibility to prioritise specific project types. Project types most commonly prioritised are those involving renewable energy and energy efficiency measures.

In contrast, positive lists have a very limited relevance, as they are only used by one national purchase programme (the Netherlands) and one multilateral carbon fund (BioCarbon Fund). Similarly, the combination of a negative list with the prioritisation of specific project types is only applied by one public purchase programme (Denmark) and three multilateral carbon funds (Prototype Carbon Fund, Asia Pacific Carbon Fund, Future Carbon Fund).

Some carbon funds (CDCF, Danish Carbon Fund) do not explicitly apply eligibility criteria to limit funding to specific project types.

Regional eligibility

In contrast to the ample application of eligibility criteria that shape the technologies applied and sectors targeted by the projects, criteria that restrict the access to a certain region are only used in a limited number of cases. Most purchase programmes and multilateral carbon funds have a global reach or do not provide specific information on the regional eligibility. However, one programme (Denmark) focuses on South-East Asia while one purchase programme (Sweden) and two carbon funds (CDCF and Ci-Dev) focus on regions currently underrepresented in the CDM or on particularly poor countries.

Eligible project scales

Another possibility is to restrict the access to or to prioritise projects of a specific scale. Most of the programmes and funds analysed do not make use of this possibility and purchase CERs from projects and programmes of several scales.

However, one purchase programme (Sweden) gives preference to small and medium projects while a second purchase programme (the Netherlands) requires projects to deliver above 500.000 CERs. Similarly, two carbon funds (CDCF and Ci-Dev) focus on small-scale and medium-scale projects while another (CPF) provides funding to programmatic interventions only.

3.2 Sustainability contributions

The analysis of national purchase programmes and multilateral carbon funds revealed large differences with regard to their ambition in fostering sustainable development. These differences allow to form three different groups, each pursuing a different approach regarding the general role of sustainable development and the specific requirements for projects to identity and monitor sustainable development benefits.

1. Carbon-centred CER purchaser

The group pursuing a carbon-centred approach is characterised by a strong focus on emissions reductions while the non-carbon benefits highlighted by the purchase programmes and carbon funds of this group often remain limited to the CDM's contributions in terms of cost effectiveness. Contributions in terms of positive social and environmental impacts are not underscored as central elements of the activities.

The purchase programmes of Ireland and Spain as well as the Prototype Carbon Fund and the Italian Carbon Fund can be regarded as pursuing a carbon-centred approach.

2. SD conscious CER buyers

A second group of buyers consists of purchase programmes and funds that can be considered sustainable development conscious. The relevance of the projects' contributions to sustainable development is acknowledged and SD benefits are considered one of the key objectives of the purchase activities. Some of these purchase programmes and funds further highlight the need to take environmental and social impacts into account. However, there are no further requirements on how sustainable development contributions must be identified and monitored and SD benefits do not influence the selection of CDM projects into the portfolio.

Examples of purchase programmes that can be categorised into this group are those from Austria, Finland, the Netherlands, Norway, Sweden and Japan.

3. Sustainable development mainstreamer

A third group of carbon funds and purchase programmes can be considered the "sustaina-

ble development mainstreamer". They have not only acknowledged that carbon mitigation activities can be used to achieve sustainable development contributions but see climate change mitigation and sustainable development as two parts of the same coin. Hence, SD benefits are not only considered a mere add-on to the carbon reductions but needed to ensure the long-term sustainability of the carbon reduction activities.

Since achieving SD benefits is one of the key objectives some of these purchase programmes and funds have developed (or make use of existing) detailed requirements that each project needs to follow to identify and monitor its social, environmental and economic impacts. In addition, these purchase programmes and funds emphasise the importance of adhering to the requirements and development priorities of the host country.

With its detailed requirements for the identification and monitoring of social, environmental and economic impacts and a scoring system that takes account of SD benefits and emission reductions, the Belgian JI/CDM Programme is a model representative of this group. Another purchase programme that might be categorised into this group is the Danish JI and CDM Programme, which requires projects to be consistent with national SD criteria and laws and to adhere to the UN Global Compact principles. However, in comparison to the Belgian programme, the level of detail of the requirements is much lower. The Community Development Carbon Fund and the Carbon Initiative for development can also be classified into this group. However, due to their focus on pro-poor interventions their requirements remain limited to contributions to social sustainability, while environmental and economic impacts are not covered to the same extend. The BioCarbonFund can also be considered a SD mainstreamer, requiring projects to monitor SD impacts throughout the project lifetime.

3.3 Safeguards to avoid adverse social and environmental effects

Since climate change mitigation activities can result in adverse social and environmental effects, a system that allows for the early identification of associated risks and the implementation of measures to mitigate these can be considered of key relevance.

Despite this fact, most national purchase programmes do not have safeguards or even a genuine safeguard system to address potential adverse effects of their projects. Measures to avoid negative impacts mainly remain limited to the exclusion of specific project types that entail high social and/or environmental risks, such as land-based projects, or projects that involve large hydro or nuclear power. Only in one case (Belgium) potential negative impacts must be identified and monitored throughout the project implementation.

In contrast, with most multilateral carbon funds analysed being installed under the World Bank, they make use of the World Bank Safeguard Policies. Similarly, both funds managed by the Asian Development Bank make use of the bank's operational policies and procedures, which comprise detailed requirements and procedural steps to ensure adverse effects are addressed. Some WB funds (CDCF, CPF) further have established additional requirements for activities that involve activities with larger risks of negative impacts (such as hydro power and forestry projects).

4 Conclusions

The current crisis of the global carbon market has raised concerns regarding the discontinuation of climate change mitigation projects as well as the potential loss of CDM capacities. Against this background, stakeholders are calling for governments to re-engage in purchasing CERs. This call raises the question of how to utilise the limited public funding in order to reach the greatest possible effect. With the goal of contributing to this task, this policy brief analysed and compared existing national purchase programmes and multilateral carbon funds. In doing so, the analysis aimed at identifying the criteria and the procedures public investors are applying in the selection of the projects they finance.

The analysis revealed a large diversity among the instruments assessed. While for a large number of purchase programmes no or only very general project selection criteria were found, others have established clear requirements and detailed procedures for the identification of projects.

These differences were particularly large in terms of **sustainable development benefits**. This relates to the general role of SD benefits as well as to the specific requirements projects are to meet in this regard. This allowed us to identify three groups of instruments:

A comparatively small group of programmes ((Ireland, Spain) and funds (the PCF and the Italian Carbon Fund) applies a **carbon-centred** approach, in that non-carbon benefits are not explicitly mentioned as a key outcome of the purchase activities.

A second group of funds (CPF) and programmes (Austria, Finland, the Netherlands, Norway, Sweden and Japan) can be considered to be **sustainable development conscious**. These instruments mention sustainable development benefits as a key outcome of their CDM projects. However, they do not apply a genuine process to ensure positive contributions are actually achieved but rely on the requirements established by the host countries and use the information on sustainable development impacts contained in the official UNFCCC project documents.

A third group of programmes ((Belgium, Denmark) and carbon funds (BioCarbon Fund, CDCF, Ci-Dev) can be labelled **sustainable development mainstreamers**. They use social and environmental impacts of projects as a basis for deciding on the purchase of CERs and require projects to identify and continuously monitor their social and environmental impacts.

Instruments of all three groups are using **eligibility criteria** to steer the access of project types to funding. The most common approach is the use of a negative list to exclude specific project activities. In most cases (Austria, Belgium, Denmark, Norway, PCF,), negative lists are used to exclude projects with particularly high social and environmental risks.

In addition, several carbon funds are using existing **safeguard systems** to avoid adverse social and environmental impacts. One purchase programme (Belgium) requires projects to identify criteria that may be negatively affected by their activities and asks them to monitor respective indicators.

The experiences made by existing purchase programmes and carbon funds should be taken into consideration when designing future public purchase activities. Three approaches can be identified:

1. Do-no harm fund

The do-no harm fund requires each project developer before signing an ERPA to indicate and avoid any potential social and environmental risk associated to its project. Further, the project developers will be required to highlight and remedy any negative development associated to their projects during project implementation.

2. SD conscious fund

The SD conscious fund goes beyond doing no harm by expecting the project to deliver on sustainable development benefits. However, SD benefits are not subject to strict measurement, reporting and verification and no genuine MRV system is established. Instead, projects are expected to inform the fund about the SD contributions the project provides. For this purpose, the application of the voluntary SD Tool developed by the CDM Executive Board might be considered.

3. Multi-benefit fund

A multi-benefit fund would combine the goals of the do-no harm approach with the goal of achieving sustainable development benefits and integrate them into a genuine MRV system. Such a system could build on existing elements. For instance, the requirements for monitoring sustainable development benefits could be adopted from approaches developed by the Belgian government or voluntary market standards. These requirements could be further expanded by integrating elements of the CPF Carbon Fund. For example, project proponents could be asked to describe the project's transformational impact and possibilities for scaling-up. In terms of procedure, elements of the CDM infrastructure could be used and DOEs could be asked to verify the information provided by the project developers.

Obviously, the transaction costs associated to the multi-benefit fund would be higher than those of the first two approaches. However, both former approaches do not provide the certainty and control required to ensure negative effects are avoided and positive impacts are achieved. Hence, both approaches might make it necessary to drastically restrict the eligibility of projects using a negative list of project types to at least minimise the risk of negative impacts. In addition, if the multi-benefit fund is making proper use of the existing infrastructure and the knowledge gained, the costs could be maintained at reasonable levels while at the same time high quality outcomes in terms of sustainable development could be ensured.

References

ADB (2013): *Operations Manual Section F1/BP and F1/OP - Issued on 1 October 2013*. Asian Development Bank. Available at: http://www.adb.org/sites/default/files/OM-F1-20131001.pdf [Accessed 21 August 2014].

APFC Website (2014): Asia Pacific Carbon Fund. Available at: http://adb-apcf.org/participants_sponsors/ [Accessed 6 August 2014].

BMLFUW (2007): *Richtlinien für das österreichische JI/CDM-Programm* (Erschienen in der Wiener Zeitung am 23.10.2007). Bundesministerium für Land- und Forstwirtschaft, Umwelt und Wasserwirtschaft.

BMLFUW (2014): *Österreichs JI/CDM-Programm 2013*. Bundesministerium für Land- und Forstwirtschaft, Umwelt und Wasserwirtschaft.

cdc climat (2009): *Tendances Carbone No 33 - CO2 allowances for cash*.

cdc climat (2014): *Tendances Carbone No 88 - The 2030 Energy and Climate targets: a (necessary?) compromise for the next milestone on the low-carbon path to 2050*.

Ci-Dev (2013): *Criteria for Ci-Dev Project Selection*. Available at: http://www.ci-dev.org/sites/cidev/files/documents/Criteria%20for%20Ci-Dev%20Project%20Selection.pdf [Accessed 12 November 2013].

DEA (2010): *The Danish JI and CDM Program - Seven years experience with climate projects around the world*. Danish Energy Agency.

DEHLG (2007): *National policy for State purchase of Kyoto Units* (Annex 3 of National Climate Change Strategy 2007-2012. Included in Appendix 3 of NTMA (2013): Carbon Fund - Annual Report 2012). Department of the Environment, Heritage and Local Government.

EEA (2013): *Climate and energy country profiles — Key facts and figures for EEA member countries* (EEA Technical report No. 17/2013). Copenhagen: European Environment Agency.

IBRD (2008): *Amended and Restated Instrument Establishing the Prototype Carbon Fund*. International Bank for Reconstruction and Development.

IBRD (2010): *Amended and Restated Instrument Establishing the Community Development Carbon Fund*. International Bank for Reconstruction and Development.

IBRD (2014): *Amended and Restated Instrument Establishing The Carbon Partnership Facility*. International Bank for Reconstruction and Development.

IEA (2012): Netherlands - Clean Development Mechanism Certified Emission Reduction Units (CERs) Purchasing Strategy. Available at: http://www.iea.org/policiesandmeasures/pams/netherlands/name,21497,en.php [Accessed 16 July 2014].

Kieskamp, Pim (2005): *Netherlands CDM Activities*. Available at: http://www.unido.org/fileadmin/import/42856_CDM_Netherlands_Kieskamp.pdf [Accessed 7 December 2014].

MAGRAMA Website (2014): Fondo de Carbono - Cambio climático - magrama.es. Available at: http://www.magrama.gob.es/es/cambio-climatico/temas/fondo-carbono/ [Accessed 17 July 2014].

NEFCO Website (2014a): NEFCO Carbon Fund (NeCF). Available at: http://www.nefco.org/financing/nefco_carbon_fund_necf [Accessed 17 July 2014].

NEFCO Website (2014b): NEFCO Norwegian Carbon Procurement Facility (NorCaP) - Call for Proposals. Available at: http://www.nefco.org/financing/norcap_call_for_proposals [Accessed 12 December 2013].

Swedish Energy Agency Website (2014): Call for CDM proposals. Available at: http://www.energimyndigheten.se/en/Cooperation/For-a-better-climate/Flexible-mechanisms-for-monitoring-green-house-gas-emissions/Swedish-CDM-and-JI-climate-programmes-/Call-for-CDM-proposals-/ [Accessed 7 August 2014].

The Federal Public Service of Health, Food Chain Safety & Environment - DG Environment (2007): *The second belgian JI/CDM tender - Terms of Reference*.

The Federal Public Service of Health, Food Chain Safety & Environment - DG Environment (2014): *The Belgian federal purchase programme*. Available at: http://www.climatechange.be/jicdmtender/head.php3?id_rubrique=47&fs= [Accessed 8 April 2014].

UN Global Compact Website (2014): The Ten Principles. Available at: http://www.unglobalcompact.org/AboutTheGC/TheTenPrinciples/index.html [Accessed 7 July 2014].

WB (2004): *Environmental and Social Benefits in the BioCarbon Fund*. Available at: https://wbcarbonfinance.org/Router.cfm?Page=BioCF&FID=9708&ItemID=9708&ft=DocLib&CatalogID=7031.

WB Website (2014): Carbon Finance at the World Bank: BioCarbon Fund. Available at: https://wbcarbonfinance.org/Router.cfm?Page=BioCF&ItemID=9708&FID=9708 [Accessed 6 August 2014].

World Bank Website (2014): Carbon Finance at the World Bank: Carbon Funds and Facilities. Available at: https://wbcarbonfinance.org/Router.cfm?Page=Funds&ItemID=24670 [Accessed 20 August 2014].

Annex

Table 1: Comparison of selected national purchase programmes[2]

	Austria	Belgium	Denmark	The Netherlands	Norway	Sweden
Name	The Austrian JI/CDM Programme	The Belgian Federal JI/CDM Programme	The Danish JI and CDM Program	"Certified Emission Reduction Procurement Tender" (CERUPT)	NEFCO Norwegian Carbon Procurement Facility (NorCaP)	Swedish CDM and JI Programme (2013 call for proposals)
Start of Operation	2003	2005	2004	2001	2013	2013
Participation	Public	Public	Public	-	Public	Public
Project type/sector	Negative List. Exclusion of CERs from HFC-projects.	Negative List. Exclusion of land use and forestry, industrial gas, nuclear energy and large hydro projects.	Negative List. Exclusion of HFC and large hydro projects. + Prioritisation of renewable energy and energy efficiency projects.	Positive list: renewables, biomass to energy, energy efficiency, fuel switch, methane recovery from landfills and coal mines, reduction of N20 and F-gases.	Negative List. Exclusion of CERs from industrial gas projects and coal based energy projects that do not use CCS.	Prioritisation. Priority project types are renewable energy, energy efficiency and waste management.
Host country/region	Global	Global	Focus on South East Asia	Global	Global. Hydro power and wind power projects will only be eligible if they are implemented in LDCs.	Focus is on countries in sub-Saharan Africa and South East Asia with LDCs and countries currently underrepresented in the CDM being prioritised.

[2] Other purchase funds screened are: Japan, Spain, Ireland, Finland, Italy, Luxembourg, Portugal, Slovenia, Switzerland and Liechtenstein.

	Austria	Belgium	Denmark	The Netherlands	Norway	Sweden
Name	The Austrian JI/CDM Programme	The Belgian Federal JI/CDM Programme	The Danish JI and CDM Program	"Certified Emission Reduction Procurement Tender" (CERUPT)	NEFCO Norwegian Carbon Procurement Facility (NorCaP)	Swedish CDM and JI Programme (2013 call for proposals)
General role of SD benefits	Benefits to SD required but no guidance.	SD benefits one of the key objectives. Explicit MRV requirements.	Promotion of SD one of the four strategic goals of the JI/CDM programme.	Projects are to be "social and environmentally sound"	SD benefits is not one of the key objectives but projects must demonstrate they are environmentally and socially sound.	SD contributions as one of the key goals.
SD Operationalization	Projects are required to take account of economic, ecologic and social impacts in a balanced manner. No guidance on how SD benefits are to be MRVed. Only the information on socio-ecological impacts contained in the PDD must be submitted.	Projects must undertake sustainability analysis using a list of pre-defined SD criteria with indicators. Assessment of SD analysis by third party (DOE). Development and application of SD monitoring plan.	Projects must be consistent with national criteria and laws of the host country. Projects should adhere to the 10 principles of the UN Global Compact. Due diligence process.	No information on operationalization found.	Due diligence check comprises social and environmental aspects. Site visits are normally performed.	Projects must specify how the activity will contribute to sustainable development. PoAs must highlight transformative elements No further information on operationalization could be gathered.
Safeguards	Exclusion of specific project types. Hydropower plants with a capacity of more than 20MW must submit validation consistent with the criteria of the World Commission on Dams (WCD).	Exclusion of specific projects types. Negative impacts on SD must be taken account of in the SD analysis and monitoring.	Exclusion of specific project types.	-	Exclusion of specific project types.	-

Table 2: Comparison of selected multilateral purchase funds[3]

	Prototype Carbon Fund	BioCarbon Fund	Community Development Carbon Fund	Carbon Partnership Facility Carbon Fund	Carbon Initiative for Development	Asia Pacific Carbon Fund	Future Carbon Fund
Administration	World Bank	World Bank	World Bank	World Bank	World Bank	Asian Development Bank (ADB)	Asian Development Bank (ADB)
Start of Operation	2000	2004	2003	2011	2011	2007	2009
Participation	Public and private	Public and private	Public and private	-	-	Public	Public and private
Project type/sector	Negative list. Exclusion of projects in the land-use sector. Focus on renewable energy projects.	Positive list. Focus on projects in the agricultural and forestry sectors.	All	Prioritisation. Focus on energy generation, energy efficiency, waste, transport and cross-cutting program (first tranche).	Prioritisation: Focus on renewable energy projects that address supressed demand or create new energy connections as well as on other underrepresented project types.	Negative list: Exclusion of forestry projects. + Prioritisation. Focus on projects in the fields of energy efficiency, renewable energy and methane capture and utilization.	
Host country/region	Global	Global	Positive list: Access limited to projects in LDCs or poor areas of developing countries, Exception for projects that provide direct independently certifiable local community benefits.	-	Africa and Asian LDCs.	Positive list. Developing Member Countries (DMC) of the ADB.	

[3] Other purchase funds screened are: Italian Carbon Fund, the Danish Carbon Fund, the Spanish Carbon Fund and the Netherlands Clean Development Mechanism Facility.

	Prototype Carbon Fund	BioCarbon Fund	Community Development Carbon Fund	Carbon Partnership Facility Carbon Fund	Carbon Initiative for Development	Asia Pacific Carbon Fund	Future Carbon Fund
Project scale	All	All	Preference is given to Small-scale	PoAs	Prioritisation of small to medium scale projects.	-	-
SD Group	Carbon centred	SD mainstreamer	SD mainstreamer	SD conscious	SD mainstreamer	-	-
General role of SD benefits	Limited: covered only in the expression "high quality projects".	Large: explicit mention of benefit for poor farmers and improvements of the local environment.	Focus on social sustainable development.	-	Focus on social sustainability.	-	-
SD Operationalization	Compatibility with host country's development priorities. Consistency with the country assistance strategy of the IBRD.	Baseline study with social and environmental dimension. Consultations with (preferably involvement of) local communities. Benefits must be quantified, verified, and certified, if feasible.	Projects must provide measurable and certifiable benefits on local livelihoods to demonstrate that the activity has improved the quality of life of the poor.	Programmes must be consistent with the sustainable development objectives, relevant sector policies and climate change strategy, if any, of the host country. Focus on transformational interventions that have an scaling-up impact and contribute to lowering emission in the region or sector.	Projects must demonstrate how they provide benefits for the poor. Projects must be transformational, replicable, innovative and sustainable	-	-
Safeguards	WB Safeguard Policies	WB Safeguard Policies	WB Safeguard Policies. Eligibility of forestry projects dependent on specific approval by the funds participants.	WB Safeguards. Application of technologies with manageable technological risks. Review of hydro power programmes require prior consultation with buyer participants	WB Safeguards.	ADB Safeguards	ADB Safeguards

Wuppertal Institute
for Climate, Environment and Energy
P.O. Box 100480
42004 Wuppertal
GERMANY

www.wupperinst.org